

City of Detroit


CITY COUNCIL

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
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ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: Shirley V. Lightsey, President
Detroit Retired City Employees Association

FROM: Irvin Corley, Jr., Fiscal Analysis Director 

DATE: May 4, 2011

RE: 2011-2012 Budget Analysis

Attached is a copy of our analysis regarding the information included with your letter indicating the Association's position to forego any request to improve pension or benefits for general city retirees.

We would appreciate a written response to the issues/questions by **Tuesday, May 10, 2011**. Please forward a copy of your response to the Council Members and the City Clerk's Office.

Please contact us if you have any questions regarding our analysis.

Thank you for your cooperation in this matter.

IC:jgp:ss

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Thomas Lijana, Finance Director
Floyd Stanley, Budget Deputy Director
Renee Short, Budget Department
Walter Stampor, Retirement System Manager
Joseph Martinico, Labor Relations
Denise Gardner, Mayor's Office

Detroit Retired City Employees Association

FY 2011-2012 Budget Analysis by the Fiscal Analysis Division

Detroit Retired City Employees Association (DRCEA) 2010-2011 Proposal and Costs

In the DRCEA's letter to the City Council dated April 27, 2011, the association foregoes requesting any increased pension or benefit increases for general city retirees to be included in the 2011-12 budget. However, the DRCEA is raising concerns about a letter sent by the Administration to general city retirees that indicates that a \$30 per month Medicare Stipend will be eliminated. The last stipend will be included in the June 2011 retirement payment to general city retirees.

The DRCEA is requesting restoration of the \$30 per month Medicare Stipend and that funding in the amount of \$1,507,608 is included in the 2011-12 budget. The DRCEA indicates the general fund portion will be \$1,252,080 (we are assuming this includes the Department of Transportation), with \$255,600 being required for enterprise funds.

At the request of the DRCEA the City Council included in the 2008-09 Budget \$1,654,200 for general city retirees to cover a portion of their Medicare premiums. It took a while for the Administration and DRCEA to come to agreement on the proper allocation and qualification of individual general city retirees to be covered by this stipend, so there was a delay in the implementation of the program. This is likely the reason the issue did not come up during the last budget development cycle as the funding lasted past one year's time.

Now according to the letter from the Administration the funding for the benefit has been exhausted and that is the reason the letter of notification was sent to retirees.

In the past when City Council has increased benefits for retirees, after the initial appropriation for the benefit, subsequent year funding of the benefit has been included in the overall fringe benefit allocation developed by the Administration. The Administration has indicated that the \$30 Medicare Stipend cost has not been included in the fringe benefit allocation for the 2011-12 Mayor's Recommended Budget. Therefore, in order for the benefit to continue a new appropriation will be required and City Council will have to find the funding and amend the budget.



Detroit Retired City Employees Association

Representing Detroit City Retirees Since 1960

P.O. BOX 40713 • Detroit, MI 48240-0713 • 313-927-0491

April 27, 2011

Honorable City Council
City of Detroit
13th Floor
Coleman A. Young Municipal Center
Detroit, MI 48226

Dear City Council Members:

Thank you for your invitation to appear before your Honorable Body on May 4, 2011 to discuss the concerns of City of Detroit retirees during the time you are conducting your 2001-2012 budget review. Following in line with our request last year, the Detroit Retired City Employees Association (DRCEA) is not asking for new or expanded benefits for City of Detroit retirees due to the continued financial difficulties facing City government. Our letter to Mayor Bing also stated that we were not asking for any improvements. Our budget hearing with the Mayor's appointed finance team was cancelled.

During the week of April 11, 2011, approximately 4188 City of Detroit retirees received the attached undated and unsigned letter from the City of Detroit's Benefits Administration office notifying them that an almost three year old benefit was being withdrawn without an opportunity for a hearing with the DRCEA to discuss this benefit cancellation. The letter has misstated the facts and the intention of the City Council in 2008 when granting this benefit that is to provide a stipend program as long as there were eligible retirees meeting the adopted rules. The City Administration at that time concurred with this action and payments have been continued for almost three years from the departmental fringe benefits account, which means that expenditures may have been made without proper or legal authority. This Administration is removing a retiree benefit from some of the oldest and neediest retirees without consideration of the impact.

The initial program provided a \$30.00 per month payment to 4595 General Fund supported retirees and 896 Revenue Department(s) retirees for a total of 5491. The first year General Fund cost was \$1,654,200.00 and the Revenue Department(s) cost was \$322,560.00 for a total of \$1,976,760.00. It should be noted that those retirees eligible must meet the following criteria:

- Current age 65 or older
- Retired on or before June 30, 1998
- Retiree participated in the City of Detroit medical and health program which includes Medicare Part B
- The benefit became effective July 1, 2008
- Those that meet all of the above, but are not yet 65 years, are to be included in the future as of their 65th birthday.
- Upon death of a retiree, if there is an option pension which is in effect and the spouse or other beneficiary is over 65 and participates in the Medicare Part B program, the benefit continues to be in effect for the beneficiary.

Because this was a one-time request not to be revisited, it was expected that the numbers would decline, which they have, as reported in the following paragraph.


Today, the General Fund supported retirees who qualify under this program is 3,478 and the number of Revenue supported retirees is 710 for a total of 4188. Therefore, the General Fund cost in the 2011-2012 budget to restore this benefit is \$1,252,080.00 and the Revenue Department(s) cost is \$255,600.00 for a total cost of \$1,507,680.00. In future years this cost will continue to decrease due to the loss of retirees.

2008 Total # of Retirees		
Qualified for this Benefit	5491	
Total Cost		\$1,976,760.00
2011 Total # of Retirees		
Qualified for this Benefit	<u>4188</u>	
Total Cost		<u>\$1,507,680.00</u>
Difference	1,303	\$ 469,080.00

In a little less than 3 years, the total has decreased by almost 25% due to the loss of retirees.

The DRCEA therefore requests that your Honorable Body provide the sum of \$1,252,080.00 in the 2011-2012 General Fund budget and \$255,600.00 in the Revenue Department(s) budgets. In following years these amounts should be included in the departmental fringe benefits accounts as was previously done.

Sincerely,



Shirley V. Lightsey
DRCEA President

Attachment:

CC: Mr. Irvin Corley



CITY OF DETROIT
HUMAN RESOURCES DEPARTMENT
BENEFITS ADMINISTRATION OFFICE

COLEMAN A. YOUNG
MUNICIPAL CENTER
2 WOODWARD AVENUE, SUITE 1026
DETROIT, MICHIGAN 48226
PHONE 313 • 224 • 2742
FAX 313 • 224 • 4456

IMPORTANT NOTICE

ATTENTION ALL CITY OF DETROIT MEDICARE STIPEND RECIPIENTS

You are receiving this letter because you have been identified as a Detroit City Retiree that has been receiving a monthly \$30 Medicare Stipend as the result of a Detroit City Council appropriation approved in May of 2008.

The appropriation was a one-year budget item and was included in the budget year in which Detroit City Council adopted the stipend. However, the appropriation was not exhausted in the year in which it was adopted. The balance was forwarded into future fiscal years until all appropriated funds had been distributed. To that end, you have continued to receive the monthly \$30 Medicare Stipend.

This letter is to notify you that the original appropriation has now been exhausted. Detroit City Council has not approved any new appropriations to support continued payments. Therefore, please be advised that the stipend will terminate with your June 1, 2011 retirement payment. Your last stipend shall be included in your June 1, 2011 retirement payment.

Regards,

City of Detroit
Benefits Administration Office

cc: The Honorable Detroit City Council



Detroit Retired City Employees Association

Representing Detroit City Retirees Since 1960

P.O. BOX 40713 • Detroit, MI 48240-0713 • 313-927-0491

April 19, 2011

Dear Honorable Detroit City Council:

The Detroit Retired City Employees Association (DRCEA) is scheduled for a budget hearing on May 4, 2011 at 2pm. We are not requesting any improvements for the 2011-2012 budget year but we now have a retroactive issue from the 2008-2009 budget year to discuss. Attached to this correspondence is a letter sent to 4,155 retirees and copied to your Honorable Body. The statements in this letter are not factual and the City department did not have the courtesy to sign the letter. We will present all of the factual information we can find to properly address the issue on May 4th.

Sincerely,

Shirley V. Lightsey
Shirley V. Lightsey
President DRCEA



CITY OF DETROIT
HUMAN RESOURCES DEPARTMENT
BENEFITS ADMINISTRATION OFFICE

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Regards,

City of Detroit
Benefits Administration Office

cc: The Honorable Detroit City Council